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Connections

SBA HANDS OUT FIRST DISASTER LOAN CHECKS

Additional Counties Declared Eligible

SBA Deputy Disaster Area Director Frank Skaggs and Noblesville, Indiana Mayor Dennis R. Redick gave out checks on June 20, 2002, to three Noblesville families who received the first low-interest disaster loans from the SBA. These loans will help them recover from the very significant damages caused by the April 28 – June 7, 2002 severe storms, tornadoes, and flooding.

SBA Deputy Disaster Area Director Frank Skaggs

Skaggs and Redick gave checks to three families at the Noblesville City Hall. The checks totaled $30,000.

"I think it's important to note that these checks are being given out just days after President Bush made assistance available to individuals and businesses in Dubois, Gibson, Hamilton, Marion, Martin, Pike, Posey, and Vigo Indiana counties. In times of disaster, SBA is able to help homeowners, renters, landlords, and business owners recover from a disaster such as this through our low-interest, long term, disaster loan program," Skaggs said.

"These funds are very important because these folks can now begin to repair damage to their homes, business and replace personal property. Even if you have insurance, you should call the Federal Emergency Management Agency (FEMA) and register for assistance as quickly as possible. This one call will get you referred to the agency best able to meet your disaster-related needs," Skaggs added.

SBA urges everyone to get their SBA disaster loan applications completed, and turned in, quickly. You don't need to settle your insurance claim before applying to SBA.

On June 27, 2002, Clay, Greene, Jefferson, Johnson, Knox, Montgomery, Owen, Parke, Perry, Putnam, and Washington counties also became eligible to apply for low-interest disaster loan assistance from the SBA Disaster Assistance Program. On July 17, 2002, Dearborn and Orange counties joined the eligible list.

SBA offers loans of up to $200,000 to repair disaster damaged homes. Homeowners and renters are eligible for up to $40,000 to replace personal property. Loans to businesses and non-profit organizations of up to $1.5 million are also available to repair damage to real estate, machinery and equipment, inventory, etc., and for leasehold improvements. Working capital assistance is also available through SBA's Economic Injury Disaster Loan (EIDL) program. A business need not have physical damage to be eligible for economic injury assistance. Interest rates for homeowners and renters can be as low as 3.375 percent and 3.50 percent for businesses. Loan terms on all loans can be up to 30 years. Actual loan amounts and terms are

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set by SBA and are based on each applicant's financial condition.

Disaster victims are reminded that to be considered for all forms of disaster assistance, including SBA's disaster loans, they must first call the Federal Emergency Management Agency (FEMA) at 1-800-621-FEMA (3362). This one call will get people referred to the agency that can best help with their disaster-related needs. Even if you had some insurance, it is important that you register for this assistance.

The application deadline for SBA physical damage loan assistance is August 13, 2002; the deadline for economic injury applications is March 13, 2003.

District Office Web Access Increases

At the conclusion of the first two-thirds of Fiscal Year 2002, the SBA Indiana District Office is proud to announce a 21.5% increase in on-line activity!

"The number of visitors has increased by over 2,600 from the same period last year," notes SBA Indiana Business Development Specialist Joyce Able. "The aggressive outreach efforts we have focused on with our website have greatly aided this cause."

Visit the website at www.sba.gov/in.

Mark Your Calendar for Thursday, September 5, 2002

Minority Enterprise Development Week *is quickly approaching! Additional information on workshops and the Awards Luncheon will be coming soon!*

NEW RULE CHANGE WILL ALLOW MORE TRAVEL AGENCIES TO QUALIFY FOR SBA ASSISTANCE

The U.S. Small Business Administration has increased its revenue-based size standards for travel agencies from $1 million to $3 million, allowing more of these companies to qualify for federal assistance under the agency's size standards. The new size standard, published as a final rule in the *Federal Register* on May 31, 2002, was effective July 1, 2002.

Travel agencies that fall within the SBA size standard are eligible for SBA assistance, including small business loan programs. These travel agencies will be eligible to apply for SBA's contracting and business development programs such as the 8(a) Business Development Program and HUBZone Empowerment Contracting Program; and compete for federal contracts worth an estimated $347 million through small business set-asides and other contracting incentive programs.

"SBA recognizes the hardships facing travel agencies nationwide in the rapidly changing travel market, especially after the September 11 terrorist attacks. We have increased the size standards to help these firms better qualify for assistance and ensure that they receive access to capital and their fair share of contracting opportunities," says SBA Administrator Hector V. Barreto.

The change was the result of an in-depth review of the travel agency industry that showed trends affecting compensation, technology, and government and corporate requirements justified a higher size standard.

Travel agencies have been dramatically affected by reduced airline commissions and advances in technology, specifically, the use of the Internet. In order to compete with larger businesses, travel agencies have had to make greater investments in technology to meet the needs of their customers and switch from a commission-based system to a fee-based compensation system.

SBA's size standards define whether a business entity qualifies as small and, thus, eligible for government programs and assistance reserved for small businesses, including some programs in other agencies.

Size standards are established separately for industry groups as defined by the North American Industry Classification System.

The higher size standard makes travel agencies with revenues between $1 million and $3 million eligible for federal assistance that can help them meet these challenges and become more competitive with larger travel agencies. The revenue figures in the rule include commissions, fees and other revenues.

For additional information on the new size standard, visit the SBA's Office of Size Standards Web page at **www.sba.gov/size**, and click on "What's New?"

IRS WARNS OF SCHEME TO STEAL IDENTITY AND FINANCIAL DATA

WASHINGTON – The Internal Revenue Service warned recently of a fraudulent scheme currently circulating that uses fictitious bank correspondence and IRS forms in an attempt to trick taxpayers into disclosing their personal and banking data. The information fraudulently obtained is then used to steal the taxpayer's identity and bank account deposits.

The IRS has received reports of the scam surfacing from coast-to-coast, including in Maine, New York, Georgia, North Carolina, Texas, California and the State of Washington. Dozens of U.S. and foreign victims have been identified so far.

In this scam, a letter claiming to be from the taxpayer's bank states that the "bank" is updating its records in order to exempt the taxpayer from reporting interest or having tax withheld on interest paid on his or her bank accounts or other financial dealings.

Legally, banks must report interest to the IRS and taxpayers must include it as income.

The "bank" correspondence encloses a phony form that purports to come from the IRS and seeks detailed personal and financial data. The letter urges the recipient to fax the completed form to a specific number within 7 days or lose the reporting and withholding exemption, resulting in withholding of 31% on the account's interest. The scheme promoters then use the faxed information to impersonate the taxpayer and gain access to the taxpayer's finances.

One such phony form is labeled "W-9095, Application Form for Certificate Status/Ownership for Withholding Tax." The form requests personal data frequently used to prove identity, including passport number and mother's maiden name. It also asks for sensitive financial data such as bank account numbers, passwords and PIN numbers that can be used to gain access to the accounts.

The fictitious W-9095 appears to be an attempt to mimic the genuine IRS Form W-9, "Request for Taxpayer Identification Number and Certification." The only personal information a genuine W-9 requests is the name, address and Social Security number or employer identification number of the taxpayer.

Another form used in the scam is Form W-8BEN, "Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding." There is a legitimate IRS Form W-8BEN, which is used by banks to ensure that their non-U.S. customers meet the criteria to remain exempt from tax reporting requirements. However, the W-8BEN used by the scam promoters has been altered to ask for personal information much like the W-9095. This altered form targets residents of foreign countries who bank in the United States.

Another totally fictitious IRS form used in this scam is labeled "W-8888." It too asks for information similar to the phony W-9095 and W-8BEN.

The real Forms W-9 and W-8BEN can be found on the IRS's Web site at www.irs.gov.

The Treasury Inspector General for Tax Administration investigates a wide variety of offenses, including the misuse of IRS insignia, seals and symbols and identity theft related to tax administration. Taxpayers who have received a fraudulent letter and form should report this to TIGTA by calling the toll-free fraud referral hotline at 1-800-366-4484, faxing a complaint to 202-927-7018 or writing to the TIGTA Hotline, P.O. Box 589, Ben Franklin Station, Washington, D.C. 20044-0589. TIGTA's Web site is located at www.ustreas.gov/tigta.

Identify theft is a federal crime under the Identity Theft and Assumption Deterrence Act of 1998. Violations of the Act are investigated by federal agencies such the U.S. Secret Service, the FBI and the Postal Inspection Service and are prosecuted by the Department of Justice. Use of the U.S. mail to commit fraud is another federal crime investigated by the Postal Inspection Service.

Identity thieves can use someone's personal data to:

– *Take over his or her financial accounts.*

– *Run up charges on the victim's existing credit cards.*

– *Apply for loans, credit cards, services or benefits in the victim's name.*

– *File fraudulent tax returns.*

People who receive the fraudulent letter and form in the mail should immediately contact TIGTA and their financial institution about the attempted fraud. Those who have already been victimized by this scheme should contact the fraud or security department of their creditors, banks and financial institutions, as well as TIGTA and their local police department and postal inspector's office, to report the identity and financial theft.

Additionally, victims should report the identity and financial theft to the fraud units of the 3 credit reporting bureaus:

– *Equifax Credit Information Services, Consumer Fraud Division (800-525-6285)*

– *Experian (888-397-3742)*

– *Trans Union Fraud Victim Assistance Department (800-680-7289)*

A copy of the scam letter and phony W-9095 may be found on the Office of the Comptroller of the Currency's Web site at www.occ.treas.gov. Additional information on identity theft, mail fraud and investigative responsibilities may be found on the following Websites:

www.ustreas.gov/tigta

www.usps.com/postalinspectors/fraud/identifytheft

www.consumer.gov/idtheft

www.secretservice.gov/financial_crimes

www.occ.treas.gov

SBA Success

SBA 504 financing helps family farm expand

By Guy Johnson

Doug Leman has farmed all of his adult life and wants to see his four sons continue that family tradition. The challenge for Leman, his wife Margaret and their family is clear: expand the business so the large family can earn an adequate income while retaining enough cash to run the day-to-day operations.

So Doug and Margaret, formed a new company called Sunny Ridge Dairy, LLC, and built a building to house up to 850 dairy cattle. Financing was arranged through a U.S. Small Business Administration 504 loan from Lafayette Bank and Trust of Rensselaer and the Indiana Statewide Certified Development Corporation.

Although the SBA 504 program is perfect for this application, Leman said that he had been to several banks but Lafayette Bank & Trust was the first to suggest a 504 loan. "If banks don't realize it is available, they won't offer it," he said.

The Leman's three oldest sons (their youngest son is still in high school) each manage different areas of the new dairy farm. The farm is located near Francesville in Pulaski County on 63 acres the family already owned. The new company has nine full-time employees, in addition to the Leman family.

"We are trying to give our sons something they can carry on," said Leman. He noted that the farm needed to expand into a new line of business for it to remain successful.

Leman has farmed with his father and brothers for 26 years. Grain has been the principal business, along with an 85-head dairy operation. After the first few months of the expanded dairy farm, 700 of the expected 850 cattle are in the herd.

Arranging necessary financing for a major expansion, at the same time as taking care of daily concerns, is a difficult balancing act for any business. In the Leman's case, making the dairy herd ten times larger definitely qualifies as a major expansion, and it must take place in the context of the other aspects of the farming enterprise.

That is one of the features that make the SBA 504 loans so attractive, according to Jean Wojtowicz, executive director of the Indiana Statewide CDC. "This loan is a good way for the Lemans to build a new aspect of their business," she said. "Congress created the 504 program twenty years ago to provide loan guarantees for expanding small businesses. The SBA guarantees the bonds sold to finance the private funding. This was the type of situation the creators of the program had in mind – a promising company that needed favorable loan terms in order to realize its potential."

The 504 loan was the first for David Schrum of Lafayette Bank & Trust, although his bank has done several 504 loans. "It is perfect for this application," he said, "because the loan allows the borrower to make a lower down payment and still receive a low fixed-rate and a longer repayment schedule than available under conventional financing."

Leman said the loan interest rate worked in his favor and the bank and CDC and Lafayette Bank & Trust explained all the details.

Indiana Statewide CDC has helped save or create more than 21,000 jobs with the SBA 504 loan program.